

## **Attachment H**

### **Single-Family Unit Production – New Construction**

- Any of the IDED's eleven CDBG Disaster Recovery Recipients may apply for this activity to newly construct single-family dwelling units within your jurisdiction. More than one application (proposed project) may be submitted. For the expanded COG regions, this activity will only be allowed in incorporated communities within your jurisdiction. Submit your proposals to the IDED by no later than April 30, 2009.
- Applicants should determine the development team that will be involved in this activity (project by project) prior to the recipient's proposal submission to the IDED and will need to be able to convey the development team members and their respective roles and responsibilities in the proposed projects. Development team members may include, but are not limited to:
  - Program administrator / overseer;
  - Builder(s) or developer(s) of the single-family housing;
  - Architectural / Engineering (A/E) or design services, as applicable;
  - Lender(s) and Loan Closer(s);
  - Energy Rater firm;
  - Realtor(s), if involved;
  - Etc.
- This activity is limited to newly constructed single-family / single unit dwelling units. Manufactured single-family dwelling units are permissible providing they are affixed to a permanent foundation and will be taxed as real property upon completion. Condominium style single-family projects for individual homeownership are permissible.
- Applications need to be targeted at and tied to communities that lost single-family housing as a result of the disasters of 2008.
- Builders and developers selected for participation under these proposals should offer a variety of types and styles of housing, various sizes (square footage) and units with various numbers of bedrooms and bathrooms; all within the project cost limitation.
- Newly constructed single-family units under these applications will be made available for sale to persons or households whose incomes are at or below the median (100%) income limits as established by HUD, by county and by household size.
- Assistance under this activity is provided as acquisition assistance (mortgage buy-down) invested into individual projects at the assisted homebuyer's principal loan closings. Assistance under this activity will not be allowed to be combined with Federal Jumpstart Homebuyer Assistance

or State Jumpstart Downpayment Assistance on the same dwelling unit or person / household served.

- Effectively, the CDBG Supplemental funds are used to buy-down the cost-to-construct, including the land on which it is constructed, to an affordable sales price and an affordable loan amount for income eligible homebuyers.
- There is a maximum per unit development cost cap of \$180,000.
- There is a maximum per unit CDBG subsidy cap of 30% of the per unit development cap, unit by unit.
- The maximum amount of CDBG funds that may be applied for (per proposal) is \$1,000,000.
- Newly constructed single-family dwelling units under this activity shall not be constructed in a 100-year flood plain or within buy-out areas, known or proposed.
- All newly constructed single-family units shall be designed and constructed in accordance with all locally adopted and enforced building codes and standards. In the absence of any locally adopted and enforced building codes or standards, the requirements of the Iowa State Building Code shall apply.
- It is the IDED's goal to utilize the CDBG Supplemental Funds in a manner that results in green-built, sustainable single-family structures. All newly constructed single-family housing should, to the extent possible, meet the requirements of the Iowa Green Streets Criteria.
- Lots (land) on which to construct the single-family housing proposed should, to the extent possible, be identified, and where possible site control obtained, prior to application submission, and identified within the application. This is particularly important for those proposals that intend to meet the requirements of the Iowa Green Streets Criteria.
- Recipients will be allowed general administrative funds not-to-exceed two percent (2%) of the total award (calculated by considering the total of all project-related costs as ninety-eight percent of the total award).
- Recipients will be allowed "project delivery costs" in an amount not-to-exceed \$5,000 per unit. Per unit project delivery costs may be included on top of (in excess of) individual project development costs. Project delivery costs include, but are not limited to:

- Marketing of the activity and individual newly constructed units;
- Oversight / coordination of the development team members and their roles and responsibilities;
- Homebuyer application intake;
- Income eligibility determination and verification;
- Pre-qualification of homebuyers;
- Construction oversight and coordination;
- Participation in individual mortgage loan closings;
- Etc.

Per unit project delivery costs are on top of the per unit development cost limitation.

- Applications shall identify, for participation in this activity, at least two regulated lenders (preferably three or more) and obtain from them a statement of their willingness to participate. Individual principal mortgage loans may then be tailored around the participating lender's underwriting criteria and the loan products offered by the lender(s). Recipients may then be allowed to restrict or limit applicants (assisted homebuyers) to using one of the recipients's identified participating lenders in the transaction, but there needs to be adequate choice opportunities to assisted homebuyers.
- Participating lenders shall offer principal loan products that minimally meet the following criteria:
  - Loan interest rates cannot be higher than four percentage points above the federal prime interest rate at the time of loan commitment;
  - Loan-to-value ratios (LVRs) at 70% (as the CDBG funds will be used to subsidize up to 30% of the per unit development cost);
  - No less than a 15-year, fully amortized, fixed-rate mortgage may be used (early pay-off provisions must be allowed); and
  - No adjustable rate mortgages or balloon payment types of mortgages will be allowed.
- The builder(s) of the single-family housing shall obtain their own construction financing for all dwelling units they construct.
- Builders will be allowed a builders fee (overhead and profit) not-to-exceed fifteen percent of the cost of construction, each individual dwelling unit. Builder's fees shall be included within the total cost to construct and contained within the per unit development cost limitation.
- All assisted persons or households (homebuyers) must be able to support a mortgage (at or greater than the bought-down / subsidized purchase price), documented with a firm loan commitment.

- Homebuyer purchased properties under this activity must result in ownership in the form of fee simple title or 99-year leasehold.
- The CDBG Supplemental funds subsidy amount provided (not including project delivery costs and general administration) must be secured as a mortgage lien on the assisted homebuyer's purchased property behind (recorded in junior position) the principal lender's mortgage loan. The assistance shall be provided as a 5-year receding forgivable loan. Payback of funds will be required if the assisted homebuyer sells, vacates, rents or abandons their purchased property any time within the five year period.
- With the exception of a Habitat for Humanity principal loan product (where there are two principal mortgages involved), the principal mortgage loan must be the only repayable loan in all individual homebuyer assistance projects under these proposals.
- The CDBG Supplemental funds forgivable loan may be recorded in junior position to the principal loan, but must be recorded in senior position to any and all other funding in all projects (with the exception of a Habitat for Humanity loan). Additionally, recipients must maintain their assistance security agreements in the above-stated recording position throughout the 5-year period, and will not be allowed to subordinate the required recording position to any other forms of assistance, such as refinancing or home equity loans for the five-year period.